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NAVAL SUPPLY SYSTEMS COMMAND
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IN REPLY REFER TO:
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From: Commander, Naval Supply Systems Command

Subj: DEPARTMENT OF THE NAVY (DON) PURCHASE CARD FRAUD
PROCEDURES

Ref: (a) NAVSUPINST 4200.94

Encl: (1) Review Procedures
(2) Fraud Indicators

1. The purpose of this policy letter is to establish DON procedures for review of questionable transactions that occur under the Governmentwide Commercial Purchase Card (GCPC) Program. Questionable transactions include those that may be improper because they were not required to fulfill immediate mission requirements, and may have been for the personal use of the recipient.

2. Reference (a) provides DON policy and procedures for management of the GCPC Program. It also identifies the minimum internal controls that must be present to maintain an effective program.

3. Enclosure (1) provides guidance for review of questionable purchase card activity when misuse or fraud is suspected. Enclosure (2) includes examples of fraud indicators that will increase the awareness of those individuals responsible for performing oversight reviews required by reference (a).

4. Commanding Officers or Activity Heads granted purchase card authority in accordance with reference (a) should ensure fraud awareness is brought to the attention of all Approving Officials and Cardholders as part of reference (a) training requirements. The Agency Program Coordinator (APC) should ensure cardholders are instructed to report questionable transactions or instances of suspected fraud to the appropriate Approving Official or APC. Additionally, cardholders should be reminded of enclosure (1) basic Hotline numbers for reporting.

5. Reports for semi-annual and annual reviews conducted in accordance with reference (a) should reflect if questionable

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transactions were found during the review. The results of any follow-up investigations should also be documented in the report.

6. The Level 3 (Major Claimant/System Commander) APC is requested to immediately notify NAVSUP Code 21B1 of any instance(s) where the review of questionable transactions is reported to the DOD IG or NCIS for further investigation.

7. The point of contact regarding questionable transactions under the GCPC program is Ms. Leolia Brown, 717-605-7501, DSN 430-7501 or via email leolia_s_brown@navsup.navy.mil.



ALBERT FANELLI
By direction

ACTIVITY REVIEW OF QUESTIONABLE TRANSACTIONS FRAUD PROCEDURES

Proper management oversight of the Purchase Card Program is a responsibility to be shared at all levels within an organization if DON is to maintain an effective program. The following procedures will assist in the review of "Questionable Transactions" that may appear to be fraudulent or suspicious. These procedures are not meant to be all-inclusive or to replace procedures from other authorities such as the Naval Supply Systems Command (DON Purchase Card Program Management Office), Naval Criminal Investigative Service or requests submitted under DOD Operation Mongoose, etc. **NOTE:** If a cardholder's account is reviewed for "Questionable Transactions" the semi-annual and annual review reports should reflect the investigation and the results. As a minimum the reports should state that "purchases under this cardholder have been reviewed for questionable transactions."

REVIEW PROCEDURES WHEN QUESTIONABLE TRANSACTIONS ARE UNCOVERED

1. Review all the original documentation regarding the transaction (purchase requests, credit card receipts, packing slips, etc.).
2. Clarify ambiguous or vague areas. Conduct interviews if necessary. Be sure you feel confident with the documentation and explanations provided. Remember to maintain confidentiality. You should apply the old "need to know rule", which is don't give out more information than necessary.
3. Determine if the transaction was an authorized purchase. Does it relate to the mission of this Department? Conversely, was it for the personal use of the recipient? Example: Planning office requesting items peculiar to construction or renovation of an office, however the credit card receipt includes candy, a Tee shirt or miscellaneous items that could be considered personal items.
4. Was the Activity's local Internal Operating Procedures followed? If not, when and why not? What part, if any, did ineffective internal controls contribute to these questionable transactions?
5. Conclude your review. If you find there is a need to have this transaction investigated further, follow your command's local Internal Operating Procedures. In the absence of formal procedures, consult DON Office of General Counsel (DON OGC) or your commanding officer. If there is no DON OGC available,

**ACTIVITY REVIEW OF QUESTIONABLE TRANSACTIONS
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contact NAVSUP Office of Counsel at 717-605-6745. Should you feel the issues need to be investigated by other authority you may use the hotline numbers below.

NAVSUP Fraud, Waste & Abuse Hotline
1-800-944-8630 or
(717) 605-5616 (DSN 430)

Navy Inspector General (NAVY IG) Hotline
1-800-424-9098

Department of Defense (DOD) Hotline
1-800-424-9098

FRAUD INDICATORS

Documentation

- Photocopies of original documents
- Missing documentation (requisition to support purchase, required approvals, signatures, etc.)
- White-out or changes
- Timely submission (requisitions backdated or postdated)

Repetitive Purchases

- Splitting Requirements to avoid certain requirements or restrictions, such as: rotating competition, exceeding purchase limits and monthly or billing cycle limit)
- Favoritism towards a particular contractor

Purchases to vendors not related to the task

(Casinos, hotel, jewelry stores, cruise line, etc.)

Services:

- Performance outside scope or work (actual performance does not match contractual statement of work)
- Overruns and variances (approvals not documented, no justification to explain need for increase, etc.)
- Contractor estimates equal to government estimate (personnel releasing advance information to contractor)
- Routinely billing within 90-95% of Not-to-Exceed amount

Apparent low value items at high prices

Private business dealings or close social relationships with contractors

- Close social relationships increase the likelihood that contracting information might be improperly disclosed. This indicator also applies to family members
- Does cardholder share a history with the vendor? (close friend, co-worker, relative, retiree, etc.) Does vendor get more government business than their counter parts?

Returns/Credits

- Is the government receiving full credit? Must follow this through the billing cycles until invoice is properly credited.
- Continuous errors in the process could indicate cash received, personal credits granted or material not returned.